

**Independence Volunteer Fire Department, Inc.
Independence, Louisiana**

Annual Financial Statements

As of and for the Year Then Ended December 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 30 2013

Independence Volunteer Fire Department, Inc.

**Annual Financial Statements
As of and for the Year Ended December 31, 2012
With Supplemental Information Schedules**

TABLE OF CONTENTS

	Statement/ Schedule	Page
Independent Auditor's Report		4
Basic Financial Statements:		
Statement of Financial Position.....		6
Statement of Activities		7
Statement of Functional Expenses.....		8
Statement of Cash Flows		9
Notes to the Financial Statements		10
Other Independent Auditor's Reports and Findings and Recommendations:		
Summary of Auditor's Results.....	1	19
Summary Schedule of Prior Year Audit Findings	2	20
Corrective Action Plan for Current Year Audit Findings.....	3	21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		23

This Page Intentionally Left Blank

Bruce C. Harrell, CPA

Dale H. Jones, CPA
Michael P. Estay, CPA
Kristi U. Bergeron, CPA
Jessica H. Jones, CPA

INTERNET
www.teamcpa.com

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs



BRUCE HARRELL
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (985) 542-6372
FAX: (985) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 909 Avenue G
Kentwood, LA 70444
VOICE: (985) 229-5955
FAX: (985) 229-5951

Independent Auditor's Report

To the Officers of
Independence Volunteer Fire Department, Inc.
Independence, Louisiana

We have audited the accompanying financial statements of the Independence Volunteer Fire Department, Inc. (a non-profit Fire Department), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Independence Volunteer Fire Department, Inc.

Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independence Volunteer Fire Department, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

October 8, 2013

Independence Volunteer Fire Department, Inc.
Statement of Financial Position
As of December 31, 2012

	<u>2012</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 36,427
Investments	
Receivables, Net	
Fire Protection District No.2 Contract Fees	77,321
Total Current Assets	<u>113,748</u>
Property, Plant, and Equipment	
Property, Plant and Equipment, Net	124,121
Total Property, Plant, and Equipment	<u>124,121</u>
Total Assets	<u><u>\$ 237,869</u></u>
Liabilities	
Current Liabilities (Payable From Current Assets):	
Accounts Payable	\$ 10,518
Accrued Salaries Payable	11,542
Accrued Payroll Taxes	1,846
Long Term Debt - Current Portion	15,300
Total Current Liabilities (Payable From Current Assets)	<u>39,206</u>
Total Liabilities	<u>39,206</u>
Net Assets	
Unrestricted	-
Temporarily Restricted	198,663
Permanently Restricted	-
Total Net Assets	<u>198,663</u>
Total Liabilities and Net Assets	<u><u>\$ 237,869</u></u>

The accompanying notes are an integral part of this statement.

Independence Volunteer Fire Department, Inc.
Statement of Activities
For the year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2012</u>
Operating Revenues			
Public Support			
Program Revenues:			
Rural Fire District No. 2 Contract Fees:			
Ad Valorem Taxes	\$ -	\$ 307,867	\$ 307,867
State Revenue Sharing	-	31,820	31,820
Fire Insurance Premium Rebate	-	18,609	18,609
Volunteer Fundraiser and Donations	-	2,785	2,785
State Supplemental Pay	-	31,800	31,800
Miscellaneous	-	128,447	128,447
Net Assets released from restrictions	443,364	(443,364)	-
Total Operating Revenues	<u>443,364</u>	<u>77,964</u>	<u>521,328</u>
Operating Expenses			
Program Services	365,991	-	365,991
Management and General	19,337	-	19,337
Fund Raising	4,785	-	4,785
Total Operating Expenses	<u>390,113</u>	<u>-</u>	<u>390,113</u>
Change in Net Assets from Operations	<u>53,251</u>	<u>77,964</u>	<u>131,215</u>
Transfers to Governments			
Equipment purchased and transferred to the Rural Fire Protection District No 2.	19,863	-	19,863
Return of Appropriation to Rural Fire District No 2. - Principal and Interest	33,388	-	33,388
Total Transfers to Governments	<u>53,251</u>	<u>-</u>	<u>53,251</u>
Change in Net Assets	-	77,964	77,964
Total Net Assets, Beginning	-	120,699	120,699
Total Net Assets, Ending	<u>\$ -</u>	<u>\$ 198,663</u>	<u>\$ 198,663</u>

The accompanying notes are an integral part of this statement.

Independence Volunteer Fire Department, Inc.
Statement of Functional Expenses
For the year ended December 31, 2012

	Program Services			
	Fire Protection	Management and General	Fund Raising	Total
Expenses				
Salaries and Wages	\$ 221,426	\$ 11,654	\$ -	\$ 233,080
Employee Benefits	18,585	978	-	19,563
Bingo Expenses	-	-	4,785	4,785
Depreciation	10,639	-	-	10,639
Interest	2	-	-	2
Insurance	25,995	1,368	-	27,363
Professional Fees	10,160	2,540	-	12,700
Repairs and Maintenance	47,537	-	-	47,537
Supplies	9,205	484	-	9,689
Telephone	11,690	-	-	11,690
Uniforms	1,501	-	-	1,501
Utilities	2,304	576	-	2,880
Other	6,947	1,737	-	8,684
Total Expenses	\$ 365,991	\$ 19,337	\$ 4,785	\$ 390,113

The accompanying notes are an integral part of this statement.

Independence Volunteer Fire Department, Inc.
Statement of Cash Flows
For the year ended December 31, 2012

	<u>2012</u>
Cash Flows From Operating Activities	
Change in Net Assets	\$ 77,964
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	10,639
Changes in operating assets and liabilities	
(Increase) decrease in receivables	(2,078)
Increase (decrease) in accounts payable	2,098
Increase (decrease) in accrued payables	(3,748)
Net Cash Provided by (Used by) Operating Activities	<u>84,875</u>
Cash Flows From Investing Activities	
Purchases of property	<u>(128,172)</u>
Net Cash Provided by (Used) by Investing Activities	<u>(128,172)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(43,297)
Cash and Cash Equivalents, Beginning of Year	<u>79,724</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 36,427</u></u>
Supplemental disclosures of cash flow information	
Cash paid during the year for interest	\$ 2
Cash paid during the year for income taxes	\$ -

The accompanying notes are an integral part of this statement.

Independence Volunteer Fire Department, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

Introduction

The Independence Volunteer Fire Department, Inc. (hereinafter referred to as the "Fire Department") is a Louisiana non-profit organization. The Fire Department's purpose is to operate exclusively as a volunteer fire fighting Fire Department to provide fire protection and emergency response services in the Town of Independence and the surrounding rural areas. The Fire Department is governed by officers consisting of a chief, a first assistant chief, a second assistant chief, a third assistant chief, and three captains, each of which is elected by the membership. At the present time, the Fire Department has approximately five active volunteer firemen. The Fire Department maintains an office at Fire Station Number 1. The Fire Department also maintains equipment in four fire stations, two fire stations in the town, one fire station on Red Hill Road, and one fire station on Noto Road.

1. Summary of Significant Accounting Policies

The Fire Department has certain transactions with Rural Fire Protection District No. 2 which include reporting the payment of debt and asset purchases that belong to the Rural Fire Protection District No. 2, as expenses on the statement of activities and changes in net assets as "Transfers to Governments", under the categories of "Return of Appropriation to Rural Fire Protection District No. 2 for Debt Principal and Interest" and "Equipment Purchases" respectively.

A. Basis of Presentation

Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organization*. Under SFAS No. 117, Independence Volunteer Fire Department, Inc. is required to report information regarding its financial position and activities into three classes of net assets.

Accordingly, the net assets of the Fire Department and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Fire Department or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Fire Department. Generally, the donors permit the Fire Department to use all or part of the income earned for either general or donor-specified purposes.

Independence Volunteer Fire Department, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

B. Support and Revenue

Support consists primarily of contract payments received from the Rural Fire Protection District No. 2 of Tangipahoa Parish (Fire District No. 2) in the form of ad valorem taxes, state revenue sharing funds, and fire insurance rebate funds. The Fire Department receives a percentage of the total funds available to the Fire District No. 2 based on a formula contained in the original contract agreed to by all participating fire departments in Tangipahoa Parish. The ad valorem tax allocation is established in January of each year and is disbursed by Fire Protection District No. 2 on a quarterly basis. State revenue sharing and fire insurance rebate funds are disbursed to participating fire departments by Fire District No. 2 as the funds become available. As a result, ad valorem taxes and interest income is recognized as income in the period earned. State revenue sharing funds, fire insurance rebate funds, and all other revenue are recognized as income when received.

C. Revenue Recognition

Contributions, which include unconditional promises to give (pledges) are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Fire Department reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits. Amounts in time deposits and those investments with original maturities of ninety (90) days or less are considered to be cash equivalents. The Fire Department has no cash equivalents.

Independence Volunteer Fire Department, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

F. Fair Values of Financial Instruments

The Fire Department's financial instruments, none of which are held for trading purposes, include cash. The following methods and assumptions used by the Fire Department in estimating its fair value disclosures for financial statements are:

Cash: The carrying amounts reported in the statement of financial position approximate fair value because of the short term maturities of those instruments.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less are considered to be cash equivalents.

H. Property and Equipment

The Independence Volunteer Fire Department, Inc.'s policy is to expense all assets purchased with appropriations from Rural Fire Protection District No. 2, because they are owned by Rural Fire Protection District No. 2 as stated in the contract between Rural Fire Protection District No. 2 and the ten individual fire departments. Assets purchased with other revenues are recorded as fixed assets when purchased.

Donations of property and equipment, if any, are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Fire Department reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Fire Department reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Fixed assets are stated at cost. The Fire Department maintains a threshold level of \$500 or more for capitalizing fixed assets. Renewals and betterments that materially extend the life of the asset are capitalized. Upon retirement or disposal of an asset, the cost of the asset and the related accumulated depreciation are removed from the books. Any resulting gain or loss is included in the statement of activities. Straight-line depreciation is used. The assets are depreciated using the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Building Improvements	10 to 40 Years
Machinery and Equipment	5 to 7 Years
Vehicles	5 to 15 Years

Independence Volunteer Fire Department, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

I. Contributed Services and Materials

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

No amounts have been reflected in these financial statements for donated services from volunteer fire fighters because the value of these services was not readily determinable. However, five volunteers have donated a significant amount of their time to the Fire Department's program services.

Donated materials are recorded at their fair value at the date of the gift. The Fire Department does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

J. Income Taxes

The Independence Volunteer Fire Department, Inc. is a not-for-profit Fire Department. The Fire Department is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code, except on net income derived from unrelated business activities.

2. Cash and Cash Equivalents

Cash and cash equivalents book balances at December 31, 2012 consists of the following:

Demand Deposits	\$ 36,427
Total	<u>\$ 36,427</u>

The Fire Department had \$37,100 in bank balances at one bank at December 31, 2012. These deposits were secured from risk by \$37,100 of federal deposit insurance.

3. Receivables and Revenues

Receivables at December 31, 2012 consist of the following:

	Total
Ad Valorem Taxes - Due from Rural Fire Protection District No. 2	<u>\$ 77,321</u>
Total Receivables	<u>\$ 77,321</u>

No allowance for uncollectible accounts is required at December 31, 2012.

Independence Volunteer Fire Department, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

4. Property and Equipment

The cost and accumulated depreciation of property and equipment at December 31, 2012 is as follows:

Property and Equipment	2012
Equipment	\$ 135,970
Subtotal Property and Equipment	135,970
Less: Accumulated Depreciation	(11,849)
Property and Equipment, net	\$ 124,121

For the fiscal year ended December 31, 2012, the depreciation expense totaled \$10,639.

During the fiscal year ending December 31, 2012, the Independence Volunteer Fire Department, Inc. expensed property and equipment of \$19,863 purchased with appropriations from Rural Fire Protection District No. 2, because they are owned by Rural Fire Protection District No. 2, as stated in the contract with Rural Fire Protection District No. 2.

5. Donated Services

Most of the Fire Department's program and supporting services are provided by volunteers. In addition, the Fire Department utilizes an office, four fire stations, equipment, paid firemen and various administrative expenses which are paid by funds received from Rural Fire Protection District No. 2 of Tangipahoa Parish (District). No amounts have been included in the financial statements for donated services for facilities since no objective basis is available to measure the value of such services and facilities.

6. Long Term Indebtedness:

	Loans Payable End of Year	Due Within One Year
Loan with First Guaranty Bank originally obtained in 2006 for grant match and subsequently renewed twice in 2009 with additional funds for operating expenses. No payments are being made on this loan. This loan is currently in litigation. Unsecured.	\$ 15,300	\$ 15,300
	\$ 15,300	\$ 15,300

The annual requirements to amortize all debt outstanding at December 31, 2012, including interest payments of \$0 and the total amount of \$15,300 is due currently in the fiscal year ending December 31, 2012. Total interest charged to expense for this loan for the year ended December 31, 2012 was \$0.

Independence Volunteer Fire Department, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

7. Appropriations from Loan Proceeds

In 2009, Rural Fire Protection District No. 2 borrowed \$250,000 on Certificates of Indebtedness, Series 2008B to be used by the Independence Volunteer Fire Department, Inc. to purchase a new tanker/pumper truck.

The following certificates of indebtedness were issued: certificates R-2, R-3, R-4, R-5, R-6, R-7, R-8, and R-9 were for \$240,000 with an interest rate of 3.86 percent between the Tangipahoa Rural Fire Protection District No. 2 and Hancock Bank. Certificate R-1 was for \$10,000 with an interest rate of 3.93 percent between the Tangipahoa Rural Fire Protection District No. 2 and Hancock Bank.

There is no contractual agreement that requires the Independence Volunteer Fire Department, Inc. to repay this indebtedness to the Rural Fire Protection District No. 2. However, the Fire Department is expected to pay the annual debt service on these certificates of indebtedness from the annual appropriation to be received from Rural Fire Protection District No. 2.

At December 31, 2012, the balances owed by the Rural Fire Protection District No. 2 on Certificates on indebtedness, Series 2008B were as follows:

	<u>Certificate of Indebtedness from Hancock</u>
Beginning Balance	\$ 179,000
Additions	-
Deletions	(27,000)
Ending Balance	<u>\$ 152,000</u>

The annual requirements to amortize the debt outstanding at December 31, 2012, including interest payments of \$15,170 are as follows:

<u>Year Ending</u> <u>12/31/12</u>	<u>Certificates of</u> <u>Indebtedness</u> <u>(Hancock Bank)</u>
2013	\$ 33,327
2014	33,227
2015	33,088
2016	33,891
2017	33,637
	<u>\$ 167,170</u>

8. Contract with the Rural Fire Protection District No. 2

The Tangipahoa Parish Government (the parish governing authority) created the Rural Fire Protection District No. 2 of Tangipahoa Parish (District) funded by an ad valorem tax to provide fire protection and emergency response service in the rural areas of the parish. The boundaries of the District include the unincorporated areas of Tangipahoa Parish.

The Fire Department adopted a resolution and entered into an agreement with the Rural Fire Protection District No. 2 to provide fire protection and emergency response services in unincorporated areas

Independence Volunteer Fire Department, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

surrounding the Town of Independence. Funding is provided by an ad valorem tax and related state revenue sharing. Under the terms of the contract with the District these funds "shall be expended solely for the purposes of operating, maintaining, and / or purchasing of equipment or supplies and salaries if approved by Fire District No. 2." Equipment purchased remains the property of the Fire District and is not recorded into the accompanying financial statements.

9. Gaming

On October 1, 2009, the Fire Department began running a Bingo game. The Fire Department ceased operations of the Bingo as of May 11, 2011. There are some remaining Bingo expenses which are included in the financial statements. The charitable gaming account donated \$2,785 to the Independence Volunteer Fire Department, Inc., which is reflected in donation income.

10. Functional Allocation of Expenses

The costs of providing the various firefighting programs, administrative activities, and other general activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support activities based on management's estimates of time and percentages used to conduct those functions.

11. Concentrations

For the fiscal year ended December 31, 2012, \$307,867 or approximately 59 percent of the Independence Volunteer Fire Department, Inc.'s revenues was derived from ad valorem taxes collected through contract fees with the Rural Fire District No. 2.

12. Commitments and Contingencies

The Fire Department has two loans for which responsibility for payment has not been established. The first loan was issued through First Guaranty Bank, has a reported loan balance of \$15,300, and is more fully described in *Footnote 6 – Long Term Indebtedness* and within Finding Number 2012-C1 in the *Corrective Action Plan for Current Year Findings*.

The second loan in question was issued to the Independence Volunteer Fire Department, Inc. originally by Hancock Bank (now Whitney Bank), and currently has a principal balance of \$30,730.23, including a past due balance of \$9,031.58. As a part of review for subsequent events, it was noted that this loan and the related capital assets were intended to be transferred to the Town of Independence. Within the financial audit of the Independence Volunteer Fire Department, Inc., for the fiscal year ending December 31, 2009, it was stated that the Town of Independence assumed the Hancock Bank Loan, effective January 28, 2009. The transfer of the debt was assumed by the Town of Independence, the debt was reported within the audit report for the Town of Independence, and that in exchange for assuming and paying off the debt, the Town of Independence took title of the fire station on 7th Street and a 1982 Ladder Truck. As part of review of subsequent events, it was noted that there are legal questions as to whether the transfer of debt and related capital assets was completed, and whether the Independence Volunteer Fire Department, Inc. or the Town of Independence has responsibility for payment of the loan. The status of this loan is further detailed in Finding Number 2012-C1 within the *Corrective Action Plan for Current Year Findings*.

Independence Volunteer Fire Department, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

13. Subsequent Events

On January 16, 2013, the Tangipahoa Parish Rural Fire Protection District No. 2, passed a motion that as a part of the 2013 fire contract that Tangipahoa Parish Fire Protection District No. 2 shall be required to enter into a cooperative endeavor agreement with the Tangipahoa Parish Government to perform all accounting services, not limited to purchasing, procurement, and payroll, subject to employees of fire departments not being Parish employees, contingent upon advice of legal counsel. On February 22, 2013, the Independence Volunteer Fire Department, Inc. transferred a total of \$11,969 of its operating funds to the Tangipahoa Parish Government to be administered for the department.

The cooperative endeavor agreement, issued between the Tangipahoa Parish Rural Fire Protection District No. 2 and the Independence Volunteer Fire Department, Inc. provides for the continuation of fire protection services in the Town of Independence and surrounding rural areas.

As part of subsequent review, it was determined that there is a possibility that the Independence Volunteer Fire Department, Inc. may be liable for payment of an additional loan obligation. That contingency is described in *Footnote 12 – Commitments and Contingencies*.

On October 4, 2013, it was reported that the prior fire chief of the Independence Volunteer Fire Department filed suit against parties, including the Independence Volunteer Fire Department, Inc., that he feels were responsible for removing him from his position. The former fire chief request that either he be returned to his position as fire chief or be paid back pay, punitive damages, and at least \$50,000. Any liability of the Independence Volunteer Fire Department, Inc. has not been determined.

Subsequent Events were evaluated through October 8, 2013.

Other Independent Auditor's Reports and Findings and Recommendations

**Independence Volunteer Fire Department, Inc.
Summary of Auditor's Results
For the year ended December 31, 2012**

Part I: Summary of Auditor's Findings*Financial Statements*

Type of Auditor's Report Issued: Unqualified.

Internal Control Over Financial Reporting:

Material Weakness(es) Identified:	No
Significant Deficiency(ies) that are not considered to be	
Material Weaknesses:	No
Noncompliance Material to the Financial Statements	Yes

Federal Awards

There were no Major Programs for the Fire Department for the fiscal year ended December 31, 2012.

**Part II: Findings which are required to be reported in accordance with generally accepted
Governmental Auditing Standards:**

A. Compliance Findings –

See findings 2012-C1 and 2012-C2 within the *Corrective Action Plan for Current Year Audit Findings*.

B. Internal Control Findings –

None

**Part III: Findings and Questioned Costs for Federal Awards which include audit findings as
defined in Section 510(a) of Circular A-133:**

N/A

**Independence Volunteer Fire Department, Inc.
Summary Schedule of Prior Year Audit Findings
For the year ended December 31, 2012**

Compliance

No compliance findings.

Internal Control

No internal control findings.

Management

No management findings.

**Independence Volunteer Fire Department, Inc.
Corrective Action Plan for Current Year Audit Findings
For the year ended December 31, 2012**

Compliance**Reference Number: 2012-C1 (Loan Commitment)**

Criteria: As noted in *Footnote 6 – Long Term Indebtedness* and *Footnote 12 – Commitments and Contingencies*, current loan payments have not been made on the \$15,300 loan from First Guaranty Bank. It was noted that the loan is currently in litigation.

Also as noted in *Footnote 12 – Commitments and Contingencies*, and as part of the review for subsequent events, it was determined that the Independence Volunteer Fire Department, Inc. may also be liable for payment of an additional loan. The Whitney Bank Loan (originally issued by Hancock Bank) to the Independence Volunteer Fire Department, Inc. has a current principal balance of \$30,370.23, including a past due balance of \$9,031.58. Although the Town of Independence assumed responsibility for payment of the loan on January 28, 2009, there are legal questions as to whether the transfer of debt was completed and whether title to the related assets was transferred to the Town of Independence. Responsibility for payment of this loan, and legal questions relating to the transfer are being reviewed by legal counsel for the Town of Independence.

Condition: Because of legal issues concerning issuance and renewal of the First Guaranty Bank loan, and legal issues related to the transfer of debt related to the Whitney Bank loan, no final determination has been made as to whether the Independence Volunteer Fire Department, Inc. is responsible for payment. There are also legal questions that also must be answered related to the transfer of capital assets related to the Whitney Bank loan.

Effect: Accurate financial reporting requires determination of responsibility for loan payment and title to capital assets.

Cause: Questions on responsibility for payment of the First Guaranty loan relate to prior investigation of irregularities, including repayment of funds to the Volunteer Fire Department. Questions on the Whitney Bank loan involve legal questions related to the transfer of responsibility for payment of debt and the transfer of capital assets.

Recommendation: We recommend that the Independence Volunteer Fire Department seek legal counsel to determine the responsibility for loan payments, and to determine title to capital assets related to the Whitney Bank loan.

Response by Management: We will refer this matter to legal counsel.

Description of Action Taken: Pending referral to legal counsel.

Anticipated Completion Date: March 31, 2014.

Contact Person:

Tony Parrozzo, Interim Fire Chief
48180 W. Laura Rogers Rd.
Tickfaw, LA 70466
(985) 878-2702

Schedule 3 (Continued)

**Independence Volunteer Fire Department, Inc.
Corrective Action Plan for Current Year Audit Findings
For the year ended December 31, 2012**

Reference Number: 2012-C2 (Audit Filing Requirement)

Criteria: The Fire Department is subject to audit requirements as defined in Revised Statutes 24:513(A) for filing financial audit reports. The general deadline for filing is six months after the end of the governmental entity's fiscal year, but may be extended per Legislative Auditor approval.

Condition: The Fire Department must comply with legal deadlines for filing audit reports, but must also ensure that sufficient time is available to complete procedures required in accordance with governmental auditing standards.

Effect: The Independence Volunteer Fire Department, Inc. must comply to legal deadlines for filing audit reports or request audit filing extensions.

Cause: There was a change in the type of engagement required by the Fire Department. Due to total revenues received, the engagement was upgraded from a review to an audit. The Fire Department requested and was approved an extension.

Response by Management: We will monitor audit filing deadlines and comply to filing requirements.

Description of Action Taken: Partial

Anticipated Completion Date: Audit Report to be filed by October 15, 2013.

Contact Person:

Tony Parrozzo, Interim Fire Chief
48180 W. Laura Rogers Rd.
Tickfaw, LA 70466
(985) 878-2702

Internal Control

No internal control findings.

Management

No management findings.

Bruce C. Harrell, CPA

Dale H. Jones, CPA
Michael P. Estay, CPA
Kristi U. Bergeron, CPA
Jessica H. Jones, CPA

INTERNET
www.teamcpa.com

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs



BRUCE HARRELL
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (985) 542-6372
FAX: (985) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 909 Avenue G
Kentwood, LA 70444
VOICE: (985) 229-5955
FAX: (985) 229-5951

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Officers of
Independence Volunteer Fire Department, Inc.
Independence, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Independence Volunteer Fire Department, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independence Volunteer Fire Department, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independence Volunteer Fire Department, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Independence Volunteer Fire Department, Inc.

Page 2

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independence Volunteer Fire Department, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the *Corrective Action Plan for Current Year Audit Findings* as findings 2012-C1 and 2012-C2.

Independence Volunteer Fire Department, Inc.'s Response to Findings

Independence Volunteer Fire Department, Inc.'s response to the findings identified in our audit is described in the accompanying *Corrective Action Plan for Current Year Audit Findings*. The Fire Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information of management, federal awarding and pass-through entities and the Louisiana Legislative Auditor and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

October 8, 2013